

**South Summit Fire Protection District  
Oakley, Utah**

Financial Statements  
with Independent Auditors' Report

For the Year Ended December 31, 2006

# **South Summit Fire Protection District**

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# **Ulrich & Associates, PC**

**Certified Public Accountants**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Commissioners  
South Summit Fire Protection District  
Oakley, Utah

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Summit Fire Protection District as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Summit Fire Protection District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Summit Fire Protection District as of December 31, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2007 on our consideration of South Summit Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Ulrich & Associates, P.C.*

April 24, 2007

# South Summit Fire Protection District

## Management's Discussion and Analysis

December 31, 2006

As management of the South Summit Fire Protection District, we offer readers of the South Summit Fire Protection District's financial statements this narrative overview and analysis of the financial activities of the South Summit Fire Protection District for the fiscal year ended December 31, 2006.

### Financial Highlights

Total net assets of \$1,026,892 is made up of \$739,111 in capital assets less related debt of \$83,396, and other net assets of \$371,177. All of the net asset amount is unrestricted.

Total long-term liabilities of the District were reduced by \$103,984.

### Reporting the District as a Whole

This discussion and analysis is intended to serve as an introduction to the South Summit Fire Protection District's basic financial statements. The South Summit Fire Protection District's basic financial statements comprise three components 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also include other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the South Summit Fire Protection District's finances, in a manner similar to a private-sector business.

The statements of net assets presents information on all of South Summit Fire Protection District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the South Summit Fire Protection District is improving or deteriorating. However, you will also need to consider other nonfinancial factors.

The statement of activities presents information showing how the District's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements distinguish functions of the South Summit Fire Protection District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities, although the District has no business-type activities).

The government-wide financial statements can be found on the pages following the management discussion and analysis.

# **South Summit Fire Protection District**

## **Management's Discussion and Analysis**

**December 31, 2006**

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### **Reporting the District's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The South Summit Fire Protection District also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

For South Summit Fire Protection District, the only major governmental fund (as determined by generally accepted accounting principles) is the general fund. However, management has chosen to reflect the capital projects fund as a major fund for reporting purposes.

Proprietary funds - The South Summit Fire Protection District has no proprietary funds.

### **Government-wide Financial Analysis**

Net assets, over time, are intended to serve as an indicator of a government's financial position. In the South Summit Fire Protection District, assets exceeded liabilities by \$1,026,892, an increase of \$29,344 over the prior year. This increase was in part due to additional fire equipment, purchased with grant monies. By far, the largest portion of the South Summit Fire Protection District's net assets is its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, etc). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# South Summit Fire Protection District

## Management's Discussion and Analysis

December 31, 2006

### Statement of Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 373,393	374,117
Capital assets	739,111	826,179
Total assets	<u>1,112,504</u>	<u>1,200,296</u>
Long-term debt outstanding	83,396	187,380
Other liabilities	2,216	15,368
Total liabilities	<u>85,612</u>	<u>202,748</u>
Net Assets:		
Invested in capital assets, net of debt	655,715	668,799
Unrestricted	371,177	328,749
Total net assets	<u>\$ 1,026,892</u>	<u>997,548</u>

### Changes in Net Assets

	<u>Governmental Activities 2006</u>
Revenues:	
Property taxes	\$ 231,661
Grants	2,975
Charges for services	8,701
Other income	8,558
Interest income	7,545
Total revenues	<u>259,440</u>
Expenses:	
Administration	27,260
Professional services	8,819
Personnel costs	25,328
Operation, maintenance, and capital outlay	<u>163,017</u>
Total expenses	224,424
Interest expense	(5,672)
Increase (decrease) in net assets	<u>29,344</u>
Net assets, beginning of year	<u>997,548</u>
Net assets, end of year	<u>\$ 1,026,892</u>

# **South Summit Fire Protection District**

## **Management's Discussion and Analysis**

**December 31, 2006**

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### Financial Analysis of Government Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of December 31, 2006, the District's general fund reported a fund balance of \$166,028. This represents a decrease of \$18,263 (10%) over last year's ending balance. Since most of the District revenues and expenses remained relatively constant during the year, this decrease relates mostly to a transfer of \$161,000 that was made to the capital projects fund to cover current and future projects, including the accelerated payoff of debt. Anticipated projects for capital project funds include a new or upgraded Kamas station and new Oakley station apparatus.

The general fund is the chief operating fund of the District. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Property taxes increased slightly, and continue to be the largest source of revenue in the general fund, representing 90% of total general fund revenues. The remaining 10% of income is made up of interest income, a small grant, miscellaneous income, and firefighting income. Firefighting income is from the County, which is passed on to firefighters to help offset costs incurred while fighting fires. Grant income continued to decrease in the current year since the District has not been writing as many grants. The District expects this revenue source to fluctuate from year to year depending on the the writing of grants, what is available, and what is awarded to the District.

Changes in the governmental funds include a decrease in revenues of \$18,698 which was due mainly to the continued decrease in grant awards. The District continues to perform fire inspections for which a small fee is collected, and they plan to continue performing these inspections in coming years. Expenditures increased slightly in the current year due to an engine repair on one of the trucks and the additional principal payments being made on the Fire Truck lease. December 31, 2006 was the final \$30,000 per year payment that needs to be made on the Kamas property. Furthermore, if additional payments continue through 2007, remaining debt of the District could be paid off by as soon as fiscal year end 2007. No new debt was entered into in the current year.

### General Fund Budgetary Highlights

During the fiscal year the original general fund budget was amended from an expenditure total of \$96,000 to a final budget expenditure total of \$126,500 (32%). The increases were made in anticipation of additional expenditures, especially the additional principal paid on debt outstanding.



# South Summit Fire Protection District

## Management's Discussion and Analysis

December 31, 2006

### Capital Asset and Debt Administration

Capital assets - The District invested \$10,651 in capital assets for its governmental activities as of December 31, 2006, however, the total decrease in the District's investment in fixed assets for the current year was \$87,068. The decrease is due to the depreciation expense exceeding new purchases.

Major capital asset events during the current fiscal year included the following:

\$2,000 for a Ford Explorer.

\$8,651 for small equipment.

#### South Summit Fire Protection District's Capital Assets

	Governmental Activities 2006
Land	\$ 177,000
Water rights	1,000
Buildings and improvements	802,890
Machinery and equipment	1,088,615
Less: Accumulated depreciation	(1,330,394)
Total capital assets	<u>\$ 739,111</u>

Additional information on the District's capital assets can be found in the footnotes of this report.

### Long-term Debt

At December 31, 2006, the District had no bonded debt outstanding.

#### South Summit Fire Protection District's Long-term Debt

	Governmental Activities 2006
Capital lease payable	\$ 83,396
Notes payable	-
Total debt	<u>\$ 83,396</u>

The District's total debt decreased by \$103,984 during the fiscal year.

Additional information on the outstanding debt obligations of the District can be found in the footnotes to this report.

## **BASIC FINANCIAL STATEMENTS**

# South Summit Fire Protection District

## Statement of Net Assets

December 31, 2006

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 324,414
Prepaid expense	5,734
Receivables - net	
Property taxes	43,245
Grants	-
Capital assets (net of accumulated depreciation)	
Land	177,000
Water rights	1,000
Buildings and improvements	355,452
Machinery and equipment	205,659
Total assets	<u>1,112,504</u>
<b><u>Liabilities</u></b>	
Accounts payable and accrued liabilities	1,883
Accrued interest payable	333
Capital lease payable - current	25,266
Notes payable - current	-
Capital lease payable- noncurrent	58,130
Notes payable - noncurrent	-
Total liabilities	<u>85,612</u>
<b><u>Net Assets</u></b>	
Invested in capital assets, net of related debt	655,715
Unrestricted	371,177
Total net assets	<u>\$ 1,026,892</u>

The notes to the financial statements are an integral part of this statement.

# South Summit Fire Protection District

## Statement of Activities

### For the Year Ended December 31, 2006

Function/Programs	Program Revenues				Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Governmental Activities	Total
			Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary government</b>						
Governmental activities						
Administrative	\$ 27,260	-	-	-	(27,260)	(27,260)
Professional services	8,819	-	-	8,701	(118)	(118)
Personnel costs	25,328	-	-	-	(25,328)	(25,328)
Operation, maintenance, and capital outlay	163,017	-	-	2,975	(160,042)	(160,042)
Interest on long-term debt	5,672	-	-	-	(5,672)	(5,672)
<b>Total primary government</b>	<b>230,096</b>	<b>-</b>	<b>-</b>	<b>11,676</b>	<b>(218,420)</b>	<b>(218,420)</b>
General revenues						
Property taxes					231,661	231,661
Other income					8,558	8,558
Interest earnings					7,545	7,545
Total general revenues					247,764	247,764
Change in net assets					29,344	29,344
Net assets - beginning					997,548	997,548
Net assets - ending					\$ 1,026,892	\$ 1,026,892

The notes to the financial statements are an integral part of this statement.

# South Summit Fire Protection District

## Balance Sheet

### Governmental Funds

For the Year Ended December 31, 2006

	General Fund	Capital Projects	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	137,469	186,945	324,414
Prepaid expenses	5,734	-	5,734
Receivables (net)			
Property taxes	43,245	-	43,245
Other	-	-	-
Due from other funds	-	-	-
Total assets	<u>186,448</u>	<u>186,945</u>	<u>373,393</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	1,883	-	1,883
Deferred revenue	18,537	-	18,537
Due to other funds	-	-	-
Total liabilities	<u>20,420</u>	<u>-</u>	<u>20,420</u>
<b>Fund Balances</b>			
Unreserved, reported in			
General fund	166,028	-	166,028
Capital projects fund	-	186,945	186,945
Total fund balances	<u>166,028</u>	<u>186,945</u>	<u>352,973</u>
Total liabilities and fund balances	<u>\$ 186,448</u>	<u>186,945</u>	<u>373,393</u>

The notes to the financial statements are an integral part of this statement.

**South Summit Fire Protection District**  
**Balance Sheet Reconciliation to Statement of Net Assets**  
**December 31, 2006**

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Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 352,973
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$2,069,505 and the accumulated depreciation is \$1,330,394.	739,111
Property tax revenue is recognized when earned (claim to resources established) rather than when "available." Deferred property tax revenue is not available.	18,537
Long-term liabilities, including notes and lease payable, is not due and payable in the current period and therefore is not reported in the funds.	<u>(83,729)</u>
Net assets of government activities	<u><u>\$ 1,026,892</u></u>

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The notes to the financial statements are an integral part of this statement.

**South Summit Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	General Fund	Capital Projects	Total Governmental Funds
<b><u>Revenues</u></b>			
Property taxes	\$ 190,273	-	190,273
Fee in lieu	25,439	-	25,439
Prior year taxes	14,321	-	14,321
Firefighting income	8,701	-	8,701
Other income	8,558	-	8,558
Grant income	2,975	-	2,975
Interest	7,545	-	7,545
Total revenues	<u>257,812</u>	<u>-</u>	<u>257,812</u>
<b><u>Expenditures</u></b>			
Current			
Administrative	27,260	-	27,260
Professional services	8,819	-	8,819
Personnel costs	25,328	-	25,328
Operation, maintenance, and capital outlay	53,168	22,781	75,949
Debt service	-	110,000	110,000
Total expenditures	<u>114,575</u>	<u>132,781</u>	<u>247,356</u>
Excess revenues over (under) expenditures	<u>143,237</u>	<u>(132,781)</u>	<u>10,456</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers in	-	161,500	161,500
Transfers (out)	(161,500)	-	(161,500)
Total other financing sources and uses	<u>(161,500)</u>	<u>161,500</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	(18,263)	28,719	10,456
Fund balance - beginning of year	184,291	158,226	342,517
Fund balance - end of year	<u>\$ 166,028</u>	<u>186,945</u>	<u>352,973</u>

The notes to the financial statements are an integral part of this statement.

**South Summit Fire Protection District**  
**Statement of Changes Reconciliation to Statement of Activities**  
**For the Year Ended December 31, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 10,456
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 10,651	
Depreciation	<u>(97,719)</u>	(87,068)

The governmental funds report repayment of note and lease principal as an expenditure. In the statement of activities it is a reduction of the lease payable.	103,984
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Deferred revenue	1,628	
Accrued interest	<u>344</u>	<u>1,972</u>

Change in net assets of governmental activities	<u><u>\$ 29,344</u></u>
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The notes to the financial statements are an integral part of this statement.



**South Summit Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**General Fund**  
**For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Property taxes	\$ 184,000	202,000	190,273	(11,727)
Fee in lieu	25,000	30,000	25,439	(4,561)
Prior year taxes	23,000	20,000	14,321	(5,679)
Firefighting income	-	-	8,701	8,701
Grants	50,000	4,000	2,975	(1,025)
Other income	12,000	13,000	8,558	(4,442)
Interest	6,500	6,500	7,545	1,045
Total revenues	<u>300,500</u>	<u>275,500</u>	<u>257,812</u>	<u>(17,688)</u>
<b><u>Expenditures</u></b>				
Current				
Administrative	29,800	30,700	27,260	3,440
Professional services	13,000	9,000	8,819	181
Personnel costs	22,700	24,000	25,328	(1,328)
Operation, maintenance, and capital outlay	30,500	62,800	53,168	9,632
Total expenditures	<u>96,000</u>	<u>126,500</u>	<u>114,575</u>	<u>11,925</u>
Excess revenues over (under) expenditures	<u>204,500</u>	<u>149,000</u>	<u>143,237</u>	<u>(5,763)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	-	-
Transfers (out)	<u>(204,500)</u>	<u>(161,500)</u>	<u>(161,500)</u>	-
Total other financing sources and uses	<u>(204,500)</u>	<u>(161,500)</u>	<u>(161,500)</u>	-
Excess of revenues and other sources over (under) expenditures and other uses	-	(12,500)	(18,263)	(5,763)
Fund balance - beginning of year	184,291	184,291	184,291	-
Fund balance - end of year	<u>\$ 184,291</u>	<u>171,791</u>	<u>166,028</u>	<u>(5,763)</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**South Summit Fire Protection District**  
**Notes to Financial Statements**  
**December 31, 2006**

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting entity**

The District is a special service district governed by an elected board of commissioners, consisting of one chairman and two board members. As required by generally accepted accounting principles, these financial statements are required to present the District and its component units. Component units are entities for which the District would be considered to be financially accountable. The District has no component units to consider for inclusion in the financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, when business-type activities exist.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

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**Note 1 - Summary of Significant Accounting Policies - continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital projects* fund is used to account for the accumulation of revenues and the purchase or construction of capital assets.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has no proprietary funds to report.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

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**Note 1 - Summary of Significant Accounting Policies - continued**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the District, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**2. Receivables and payables**

All trade, property, sales, and franchise tax receivables are shown net of an allowance for uncollectibles.

Property taxes are collected by the County Treasurer and remitted to the District shortly after collection. Property taxes are levied based on property values as of January 1 of each year, with liens posted as of the same date. Taxes are due and payable on November 1 and delinquent after 12 o'clock noon on November 30 of each year.

**3. Capital assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

**Note 1 - Summary of Significant Accounting Policies - continued**

Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	15
Equipment	7
Vehicles	5

**4. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

**Note 2 - Stewardship, Compliance, and Accountability**

**Budgetary information**

Budgets are prepared and adopted, in accordance with State law, by the South Summit Fire Protection District's Board on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, and capital projects funds. Tentative budgets must be adopted on or before December 28th for the following fiscal year, beginning January 1. Budgets may be increased by resolution of the District Board at any time during the year. A public hearing must be held regarding any proposed increase in a fund's appropriations. The budget is adopted by fund and function. The Board may make transfers of appropriations within a fund. The legal level of budgetary control is the function level. Appropriations lapse at December 31. During the year, supplemental appropriations were made increasing General Fund expenditures by \$30,500.

Utah State law states that expenditures being made in excess of those budgeted, is an illegally created debt in violation of the Utah Constitution. As such the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. During the current year, personnel costs in the general fund exceeded the budgeted amount by \$1,328. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to the greater of 100% of current year property tax, or 25% of total general fund revenue if annual general fund budget is greater than \$100,000. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the District has one year to determine an appropriate use and then the excess must be included as an available resource in the General Fund budget.

**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

**Note 3 - Detailed Notes on all Funds**

**Deposits and investments**

The District maintains cash accounts with local institutions only. The District has no other investments.

Utah State law requires that District funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. "Qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

As of December 31, 2006, the District had the following deposits and investments:

	<u>Fair Value</u>
Cash on deposit	<u>\$335,985</u>

*Custodial credit risk - Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to them. As of December 31, 2006, \$235,985 of the \$335,985 balance was exposed to custodial credit risk because it was uninsured and uncollateralized.

Captions on the statement of net assets related to cash and investments are as follows:

Cash and cash equivalents	\$324,414
Restricted assets:	
Cash and cash equivalents	<u>-</u>
Total cash	<u>\$324,414</u>

**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

**Note 3 - Detailed Notes on all Funds - continued**

**Capital assets**

Capital asset activity for the year ended December 31, 2006 was as follows:

Primary Government	Beginning			Ending
Governmental activities:	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 177,000	-	-	177,000
Water rights	1,000	-	-	1,000
Total capital assets not being depreciated	178,000	-	-	178,000
Capital assets being depreciated:				
Buildings and improvements	802,890	-	-	802,890
Machinery and equipment	1,077,964	10,651	-	1,088,615
Total capital assets being depreciated	1,880,854	-	-	1,891,505
Less accumulated depreciation for:				-
Buildings and improvements	430,193	17,245	-	447,438
Machinery and equipment	802,482	80,474	-	882,956
Total accumulated depreciation	1,232,675	97,719	-	1,330,394
Total capital assets, being depreciated, net	648,179	(97,719)	-	561,111
Governmental activities capital assets, net	\$ 826,179	(97,719)	-	739,111

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities**

Buildings	\$ 17,245
Operations and maintenance	80,474
	<u>\$ 97,719</u>



**South Summit Fire Protection District**  
**Notes to Financial Statements-Continued**  
**December 31, 2006**

**Note 3 - Detailed Notes on all Funds - continued**

Interfund transfers

<u>Transfers out</u>	<u>Transfers in</u>		<u>Total transfers out</u>
	<u>General fund</u>	<u>Capital projects fund</u>	
General fund	\$ -	161,500	161,500
Capital projects	-	-	-
Total transfer in	\$ -	161,500	161,500

The \$161,500 transfer from the general fund to the capital projects fund adds to monies being used in capital projects for upgrading or constructing a new fire station in Kamas, purchasing new apparatus for the Oakley fire station, and paying down debt from prior purchases.

Capital leases

The District has entered into a lease agreement as lessee for financing the acquisition of a fire truck in governmental activities. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. Interest expense of \$6,016 was paid in relation to the lease for the year ending December 31, 2006.

The assets acquired through capital leases are as follows:

	<u>Governmental</u>
Fire truck	<u>\$ 83,396</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006 were as follows:

<u>Year ending December 31:</u>	<u>Governmental</u>
2007	\$ 31,804
2008	31,804
2009	31,804
2010	4,474
	<u>99,884</u>
Less: Amounts representing interest	<u>(16,488)</u>
Present value of minimum lease payments	<u>\$ 83,396</u>

# South Summit Fire Protection District

## Notes to Financial Statements-Continued

### December 31, 2006

#### Note 3 - Detailed Notes on all Funds - continued

##### Long-term debt

##### Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Capital lease payable	\$ 157,380	-	(73,984)	83,396	25,266
Notes payable	30,000	-	(30,000)	-	-
Total governmental activities long-term liabilities	187,380	-	(103,984)	83,396	25,266

##### Notes payable

The District has signed a note payable with the Kamas City Corporation for the purchase of property. The note was for \$150,000 with annual payments of \$30,000, due in 2006. The outstanding balance on the note was paid off in December of the current year.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Note payable	0.00%	\$ -

#### Note 4 - Other information

##### Pension Plan Obligations

The District does not have any employees that qualify for Utah State or any other retirement program. All services are provided on a volunteer basis.

##### Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

##### Contingent Liabilities

The District had no contingent liabilities as of December 31, 2006.

## **SUPPLEMENTARY INFORMATION**

**South Summit Fire Protection District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual**  
**Capital Projects**  
**For the Year Ended December 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
<b><u>Revenues</u></b>				
Interest	\$ -	-	-	-
Total revenues	-	-	-	-
<b><u>Expenditures</u></b>				
Current				
Operations, maintenance, and capital outlay	94,500	51,500	22,781	28,719
Debt service	110,000	110,000	110,000	-
Total expenditures	204,500	161,500	132,781	28,719
Excess revenues over (under) expenditures	(204,500)	(161,500)	(132,781)	28,719
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	204,500	161,500	161,500	-
Transfers (out)	-	-	-	-
Total other financing sources and uses	204,500	161,500	161,500	-
Excess of revenues and other sources over (under) expenditures and other uses	-	-	28,719	28,719
Fund balance - beginning of year	158,226	158,226	158,226	-
Fund balance - end of year	\$ 158,226	158,226	186,945	28,719

The notes to the financial statements are an integral part of this statement.

## **OTHER REPORTS**

# **Ulrich & Associates, PC**

**Certified Public Accountants**

## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners  
South Summit Fire Protection District  
Oakley, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Summit Fire Protection District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Summit Fire Protection District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Summit Fire Protection District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of South Summit Fire Protection Fire District, in a separate letter dated April 24, 2007.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Ulrich & Associates, P.C.*

April 24, 2007

# **Ulrich & Associates, PC**

**Certified Public Accountants**

## **STATE LEGAL COMPLIANCE REPORT**

The Board of Commissioners  
South Summit Fire Protection District  
Oakley, Utah

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Summit Fire Protection District as of and for the year ended December 31, 2006, and have issued our report thereon dated April 24, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Property Tax Limitations
- Special Districts
- Other Compliance Requirements

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of the South Summit Fire Protection District, is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are referred to in the accompanying schedule of findings. Our audit procedures also disclosed immaterial instances of noncompliance which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.



In our opinion, the South Summit Fire Protection District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

*W. L. Smith & Associates, P.C.*

April 24, 2007

# South Summit Fire Protection District

## Schedule of Findings State Legal Compliance

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### FINDINGS

#### 1. Budgetary Compliance

No entity shall incur expenditures or encumbrances in excess of the total appropriation for any department in the general fund. In the current year, the personnel expenses exceeded the budgeted amount by \$1,328.

#### Recommendation

We recommend that the budget be reviewed at year end and adjusted accordingly with a budget hearing if required.

#### Management Response

In prior years, we have been vigilant in monitoring the expenses incurred in each department. Although there was a slight overage in the current year, we will continue to monitor and adjust the budget as needs be, to keep the expenditures in line with budgeted amounts.

# South Summit Fire Protection District

4987 North SR 32

P.O. Box 660

Oakley, Utah 84055



June 18, 2007

State of Utah  
Office of the State Auditor  
% MacRay A. Curtis, CPA  
Director, Local Government Division  
P.O. Box 142310  
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis,

In regards to the management letter from Ulrich and Associates dated April 24, 2007 and addressed to the South Summit Fire District, the District would like to respond the following strategy in our efforts to be in compliance with the State.

## **Cash Management**

The South Summit Fire Protection District is now picking up mail once a week and making deposits weekly if money is received. This is more often than the once or twice a month in the past, making sure we stay in compliance with the State's three day rule.

## **Expenditures**

The South Summit Fire District has historically kept all invoices for expenditures that are received by the District. We will, however try to obtain all receipts that are feasibly possible to show a valid expenditure for all purchases.

## **Fund Balance**

The South Summit Fire District is aware of the Fund Balance Compliance Limits and already has plans to transfer monies to the Capital Projects fund for projects already in the works.

The policy and procedure manual is on a disk and is in the process of being printed.

Sincerely,

Kent Leavitt, Chairman  
South Summit Fire Protection District